

THIRD EDITION

SPORT MARKETING



Foreword by

David J. Stern

Commissioner, National Basketball Association

Bernard J. Mullin • Stephen Hardy • William A. Sutton

◆ **Third Edition** ◆

SPORT Marketing

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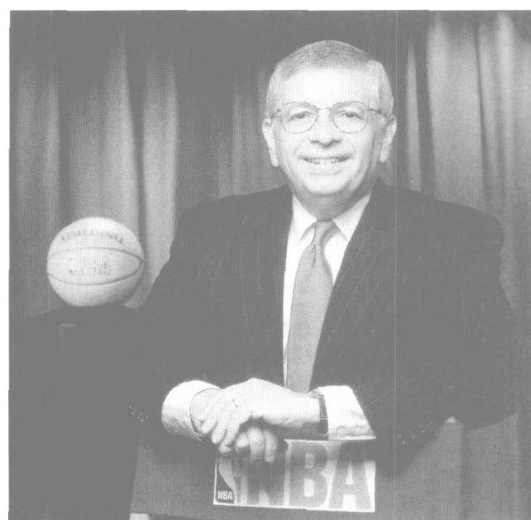
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Foreword

The third edition of *Sport Marketing* accurately depicts the evolution of the sport industry that I experienced as NBA commissioner during the last 20-plus years. Throughout my career at the NBA, I have had the good fortune of working with many of the most talented executives in the industry. As the industry has evolved, so have the leadership and business capabilities at the teams. Now, many of our teams have more than 100 employees who sell tickets and sponsorships; provide great customer service; develop marketing, advertising, and branding strategies; activate platforms for marketing partners and sponsors to drive their businesses; produce TV and radio broadcasts locally; service the media and place proactive messages; develop and produce the shows; and do meaningful work in the community through innovative and socially responsible programs. This text places those activities in a comprehensive framework, showing how the moving parts work together to develop the sport business locally, nationally, and globally.



David J. Stern
Photo courtesy of NBAE

The principal authors have a combination of academic and professional experience that is extraordinary. Their education and experience as university professors provide them with unique perspectives. Their research and analytical skills lead to objectivity and an ability to identify key industry needs. The theoretical framework they have created into which every marketing strategy is set—the marketing planning process—leads to a consistency in all branding, sales, and marketing strategies. Better yet, the authors have practical experience in the field in senior executive capacities covering several segments of the sport industry, which has given them a wealth of knowledge of best practices and the understanding of what actually works and doesn't work. Collectively they have implemented just about all of the best practices firsthand for leagues, sport conferences, and—the most challenging of all situations—start-up teams and turnarounds.

I have observed the work of the authors for a decade as they participated in the way NBA teams conduct their business. Clearly the most significant factors were substantially increasing the sharing of best practices and real data, increasing adoption of direct marketing techniques, and basing team business strategies on the authors' landmark work—the attendance frequency escalator. As a result, most NBA teams today have much more sophisticated database-building and customer relationship management (CRM) capabilities, and they more effectively use direct mail, telemarketing sales, and e-marketing programs to increase trial, improve retention, and drive attendance. These successful teams focus on the stepping-stone approach to fan development: Encourage more people (particularly youth) to play the game, connect players and coaches more favorably with the community, get more fans to watch or listen to broadcasts, progressively encourage

those fans to get off the couch or off the computer and sample the NBA game in person, and offer a full menu of full- and partial-season ticket plans designed to move fans up the attendance frequency escalator. The greatest benefit of this approach has been a most significant increase in the lifetime value (LTV) of fans in the respective team markets and ultimately the league itself.

Mixing in their unique intellect and personalities, the authors use their vast academic and practical experience to make this book a must-read for future generations of sport marketers, managers, and perhaps even commissioners.

David J. Stern
Commissioner, National Basketball Association

Preface

There is only one way to describe the massive changes in the sport world since the first edition of *Sport Marketing* came out in 1993: “Holy cow!” as the late Harry Caray always put it. In 1993, most people would have thought that the Internet was a spy ring and a Web page was something in a newsletter of Ducks Unlimited. When our second edition appeared in 2000, the Net was old hat, but it was still the most innovative medium of the age. File sharing was just beginning in 2000. Net nerds would have thought that YouTube was a phrase deriding old media. Hardly. By 2006, YouTube.com had become the hottest site on the Net, where more than a million video clips were viewed each day, many of them sporting events. Marketing executives throughout the sport world got their industry news and data through online services such as Sports Business Daily or SBRnet. More and more trade publications, such as *Street and Smith’s Sports Business Journal* or *Athletic Business*, have online versions. In the near future, the move to online information may give new meaning to the old basketball phrase “it’s all net!” The cutting edge, however, is wireless technology. We have incorporated many of the latest wireless marketing ideas in this edition, but new products and services are emerging daily.

Some things haven’t changed much. The competition for the sport and entertainment dollar is as heavy as ever. Sport marketing is a competitive business involving as much front-office strategy, risk, discipline, and energy as that shown by the players and coaches who figure so prominently in the public’s imagination. The third edition of *Sport Marketing* offers abundant examples of the latest issues in the competitive marketplace.

As academics, we have been studying changes in the sport industry for more than 35 years, long before *Forbes* and *Fortune* began to take sports seriously with regular coverage. When we started out as graduate students in the early 1970s, few scholars were willing to accept sport as a serious topic of study. Now leading academics in marketing, management, law, and economics (to name only a few disciplines) are rushing headlong for book contracts on sports. We have both followed and helped to build this growing body of literature. More important, each of us has also worked *inside* the industry, trying to make sense of the ways that fans, players, coaches, the media, equipment companies, and others interact to make the game tick. We have planned, administered, or consulted on literally thousands of events across just about every sport considered mainstream and at just about every level. This book emanates from our own fusion of experience as academics and practitioners. We have written a survey that we hope is as useful for the classroom student as it is for the athletics director of a college or high school or the marketer of a professional franchise.

We have tried to balance theoretical models with case studies from the rinks, fields, courts, slopes, gyms, tracks, and other venues that make up the sport marketplace. If theory is the skeleton that gives structure to thinking, then case studies put meat on the bones. Although our examples are largely from the United States, we hope that much of our thinking will benefit sport marketers in other countries.

The third edition of *Sport Marketing* is much expanded and built on a largely new database, both from academic journals like the *Sport Marketing Quarterly*, from industry serials like the *Sports Business Daily*, and from online sources like SBRnet. Chapters 1 and 2 provide an overview of the sport market and sport marketing as an area of study and as a process. Chapters 3 through 6 consider conceptual tools and steps of preliminary market research and market segmentation, which are critical to overcoming a tendency to equate promotions with marketing. Marketing begins and ends with knowing the consumers' needs and wants; chapters 3 to 6 provide that essential perspective. Chapters 7 through 16 explore the nuts and bolts of marketing plans—the five Ps of sport marketing: product, price, promotion, place, and public relations. We have added a new chapter to this section, “Managing Sport Brands,” by Jay Gladden, one of the world's experts on the topic. The last three chapters offer some important elements on control, evaluation, legal issues, and projecting the future.

The world of sport marketing continues to challenge and excite us. We only hope that this edition is as enjoyable to read as it was to write.

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Many people helped us obtain, organize, and develop materials for the book. Ed Saunders of Nike Bauer; Carrie Jokiel; Dave Perricone of the New Jersey Devils; Joe Bertagna of Hockey East; Abe Madkour and the staff at the *Sports Business Daily* (now an essential resource for anyone trying to make sense of the sport industry); Dave “Hit Dog” Synowka of Robert Morris University; Dick Bresciani and Larry Cancro of the Boston Red Sox; Dot Sheehan, Steve Metcalf, and Marty Scarano of the University of New Hampshire; Charlie Eshbach of the Portland Sea Dogs; Jeff Tagliaferro of the New Hampshire Fisher Cats; Bill Miller and Jill Grennfield of the NHL; Gregg Hanrahan of the United Center; Chris Hardy of the Massachusetts Audubon Society; Jerry Solomon of P.S. Star Games; Dan Migala of the Migala Report; David Stern, Russ Granik, Adam Silver, Scott O’Neil, Aaron Bryan, and Kathy Behrens of the NBA; Vic Gregovits at the Cleveland Indians; Rick Welts, John Walker, Drew Cloud, and Mike Tomon of the Phoenix Suns; Chad Estis of the Cleveland Cavaliers; Jeff Munneke and Bryant Pfeiffer of the Minnesota Timberwolves; John Rooney, a pioneer in sport geography; Eric Woolworth, Michael McCullough, Kim Stone, Andy Montero, and John O’Meara of the Miami Heat; Alex Martins, Chris D’Orso, Matt Biggers, Murray Cohn, Bobby Bridges, Kari Conley, and Shelley Driggers of the Orlando Magic; Lou DePaoli and

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In our capacities as sport administrators and consultants, we have worked with hundreds of dedicated executives, marketers, coaches, salespersons, customer service professionals, public and community relations personnel, and sports information directors who have inspired us with their energy, dedication, and passion. As academics, we thank and salute our students over the years at the University of Washington, Robert Morris University, Ohio State University, the University of Massachusetts, the University of New Hampshire, and the University of Central Florida. These colleagues and students have challenged, stretched, reshaped, and indulged our thinking on all of the topics in this book. We dedicate this book to all of these old and recent colleagues in the hope that we can convey to our readers their wisdom, their enthusiasm, their wonder for learning, and their passion for moving the field forward.

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Chapter 1

The Special Nature of Sport Marketing

Objectives

- ◆ To understand the market forces that create the need for enlightened marketing strategies in the sport industry.
- ◆ To understand marketing myopia and other obstacles to successful marketing strategy.
- ◆ To recognize the components of the sport product and of the sport industry.
- ◆ To recognize the factors that make sport marketing a unique enterprise.



The NBA: Sizzle and Steak in the Global Sport Marketplace

In 1992, America's "Dream Team" of NBA stars waltzed their way to a gold medal at the Barcelona Olympics. Opposing players could not attack or defend successfully, but they were happy to fawn over hoops heroes like Magic Johnson, Larry Bird, and Michael Jordan. One player was seen waving at a teammate on the bench to take a picture of him trying to guard Jordan. "Traveling with the Dream Team," said their coach, Chuck Daly, "was like traveling with 12 rock stars. That's all I can compare it to." Following Barcelona, the NBA and its stars would enjoy a decade of global prominence and adulation. It was not just their exquisite skill. It was also the brilliant marketing orchestrated by Commissioner David Stern, who packaged and distributed new NBA products, including "NBA Inside Stuff," "Game of the Week," "NBA Jam," and "NBA Action," to viewers in over 170 countries. Rights fees varied with ability to pay. China got the programming for free, so almost all of China's television households (250 million) watched NBA programs. NBA.com provided language options in English, French, Spanish, and Italian.

Stern's vision took off. By 1997, the NBA was selling nearly \$500 million in merchandise outside the United States. Kids from the Dominican Republic to the People's Republic followed their NBA idols: With Michael Jordan leading the charge in his Nike shoes, the NBA became the gold standard for worldwide sport league properties, challenged only by the English Premier League. (1)

The 2004 Athens Olympics saw dreams turn to nightmares for American men's basketball. The team was expected to be another NBA showcase, led this time by Allen Iverson and coach Larry Brown. The Yanks instead suffered embarrassing losses in exhibi-

tion matches, played erratically at Athens, and limped home with only a bronze medal. Forward Shawn Marion summed up the new reality of international basketball in 2004: "At least we didn't go home empty handed." Thank God for our women, said many an American pundit. If there was still a "dream team," it was led by Lisa Leslie and her WNBA colleagues, who cruised to gold in 2004 as easily as their 1992 male counterparts had. (2)

Soon everyone was second-guessing the NBA and its product. ESPN basketball analyst Len Elmore blamed the "streetball culture" of individualism— heavily promoted in the NBA—for eroding the team play and defensive skills that were once the core of basketball as a sport. "It was," he said, "the hubris of NBA stardom that doomed our boys." Elmore further wondered if the poor performance would puncture the NBA's worldwide bubble, what he aptly called its "global franchise strategy." Without the "aura of invincibility" that began in Barcelona, "NBA goods might not fly off the shelves as [they] once did, either at home or abroad." Even before the Olympics, NBA Hall of Famer Oscar Robertson had written a scathing op-ed piece in the *New York Times* titled "NBA Markets Style at Expense of Substance." The NBA, he argued, "has made a conscious decision to function as a marketing and entertainment organization, and seems much more concerned with selling sneakers, jerseys, hats, and highlight videos than with the product it puts on the floor."

Had something gone wrong with the NBA and its product? Or, as David Stern argued, had their plans succeeded so well that the rest of the world was not just a potential market, but also a worthy competitor? (3)

Although entrepreneurs have been selling sport for centuries, rational systems of marketing sport are relatively new. In this chapter, we discuss the need to employ modern marketing principles in the sport domain. We examine the sport industry trends of growth and competition that heighten the need for scientific, professional approaches to sport marketing. We consider examples of lingering "marketing myopia" in sport, as well as signs of progress. Next, we consider the components of the sport product and of the sport industry. Finally, we outline the numerous features that in combination make sport marketing a unique area of inquiry and application.

Global Marketing Strategy

Over two decades, David Stern emerged as lord of a far-flung, international empire inappropriately called the National Basketball Association. When Stern became commissioner in 1984 (he had been NBA general counsel since 1978), the NBA was a struggling enterprise, despite stars such as Magic Johnson and Larry Bird. Teams were playing in arenas at less than two-thirds capacity, NBA merchandise sales were only about \$15 million, and network television coverage was limited—the finals were shown on tape delay. Worse yet, corporate sponsors were scared off, in large part because of a poor public image resulting from drug scandals and labor strife. As one NBA executive recalled in a 1991 profile of Stern, “If you had 30 minutes with a prospective sponsor, your first 20 minutes were spent trying to convince him that the players weren’t all on drugs.” (4)

Even before his elevation to the commissionership, Stern had laid the foundation for the NBA to become one of the most successful brand names in sport. He did it by recognizing and using standard tools of marketing. He knew, among other things, that product recognition required a more expansive television package. In turn, the broadcast networks demanded a more stable product with a cleaner image. That meant getting owners and players to agree on several fundamental issues, including revenue sharing, salary caps, and tougher drug testing. As a Spalding executive concluded, “A good marketing guy knows that he has to get the product right before marketing it. That’s what Stern did with basketball.” (5)

If Stern spent the 1980s getting his product right, he focused the next decade on worldwide product distribution. More than anything, Stern believed in going global. The NBA could create an empire along the lines of British mercantilism—with fine, finished products moving from North America to distant centers of exchange like Moscow, Buenos Aires, Capetown, and Beijing—especially Beijing. Some surveys conducted in 2003 suggested that among China’s 1+ billion people, basketball had supplanted soccer in popularity. In the first four years of the new millennium, the Chinese edition of the NBA’s *Time and Space* magazine had boomed to a circulation of over 200,000. NBA games were a regular Sunday feature on China Central Television. NBA logos adorned the apparel worn by the coolest kids on China’s hoop courts, which now drew the crowds once reserved for Ping-Pong tables.

In fact, basketball had taken solid root in China long before David Stern had set the NBA’s marketers loose. In the years after James Naismith drew up the rules of basketball in 1891 at the YMCA Training School in Springfield, Massachusetts, YMCA missionaries hawked the game worldwide as a physical gospel wherever they went. The first Chinese game was held in 1896 at the Tianjin YMCA. Basketball’s fluidity, its limited requirements in equipment and facilities, its obvious contributions to fitness, and its special blend of individual skill and team play helped its popularity and provided a safe cover during the ideological cleansing of the Cultural Revolution. If the “team” was king in the 1960s and 1970s, then the individual emerged on the court in the 1990s, just as the People’s Republic began its complicated dance with Western capitalism.

When Jeff Coplon traveled throughout China for the *New York Times* in 2003, he found a Chinese basketball culture adjusting to its new open exposure to American and NBA brands. The global and the local were swirling together as Chinese kids started modeling their game after the likes of Allen Iverson, hardly an icon of conformity to authority. But to move ahead in the world of basketball, China would need more than an occasional export like the seven-foot (2.13 m) Yao Ming. It would require quick and spontaneous point guards like 14-year-old Chen Jianhua, who had American scouts and Chinese coaches thinking ahead: an Iverson-like point guard feeding an NBA-seasoned Yao Ming in the 2008 Olympics, to be held in Shanghai? A Pistons’ scout summed up the prognosis: “Do they have a shot? Definitely. They’re playing at home; I think they can compete with anybody.” (6)

As early as 1992, Chuck Daly had cautioned American fans that “there will come a day” when other countries “will be able to compete with us on even terms.” To Daly, anyway, the Barcelona Dream Team would then be seen as a “landmark event” in the development of basketball parity. The 2004 Athens Olympics surely marked a big step in that direction. Many

American critics—such as Oscar Robertson—would blame the NBA and its pampered, selfish superstars for America's Olympic decline in men's basketball. But the numbers suggested that the NBA—if not the men's Olympic team—was at the top of its global game. Regular-season NBA attendance was up 1 percent from 2002 to 2003, to an average of 17,056 per game, or 89 percent of collective arena capacity, the fourth-best level in league history. Although ratings on ABC slumped by almost 8 percent, they were up on TNT (16.7 percent) and ESPN (8.3 percent). Better yet, the 2004 NBA finals were broadcasted to 205 countries in 42 languages. The international traffic on NBA.com was well over 40 percent of the total; the league had nine foreign-language Web sites. Yao Ming was only the tallest of the internationals on NBA rosters; the total number had expanded from 65 in 2002-2003 to 84 by the fall of 2004. There was an obvious synergy. For instance, Dirk Nowitzki's success with the Dallas Mavericks translated into five television outlets in Germany. And every new foreign star meant more foreign exposure. By October 2004, the NBA had 212 international television deals.

Of course, the NBA was not without its problems. In November 2004, an on-court scuffle between members of the Pistons and the Pacers spilled over into the stands, producing a televised embarrassment that led the news for several days. Critics found the 2005 NBA finals to be uninspiring, with choking team defenses that limited the displays of virtuosity and scoring that marked the Bird-Johnson-Jordan era. But the brightest star in the finals may have been San Antonio's Manu Ginobili, who is Argentinian. When Ginobili returned home to a hero's welcome, he joined fellow countrymen Andres Nocioni (Chicago Bulls) and Carlos Delfino (Detroit Pistons) as instructors at an NBA development camp for South American players. For David Stern, the math was clear. More international stars were shining in a league whose worldwide reach was still widening. The global marketing strategy was paying off. (7)

Global Competition Works Both Ways

The global economy also boosted prospects for other sport leagues. The National Hockey League and Major League Baseball both attracted top talent from overseas—Europeans to the NHL and Japanese to MLB. But the most pronounced consequences of global games occurred in soccer, the world's number-one game. One and a half billion viewers had watched the 2002 World Cup in the 18 countries monitored by Nielsen Media Research. This included 263 million in China. In the United States, the 85 million English-language viewers were matched by 80 million who watched Spanish-language telecasts on Telefutura and Univision. In soccer's global market, the world's talent moved to European leagues, especially England's Premiership, Italy's Serie A, and Spain's La Liga. If the NBA looked to Europe and China for expansion markets, the Europeans saw America as ripe for the picking. A steady swell of youth soccer players, "soccer moms," and their families had provided a strong base for the United States' successful hosting of World Cups in 1994 (men's) and 1996 (women's). Major League Soccer, hatched after the 1994 World Cup, was averaging crowds over 15,000 by 2004, better than those in Argentine or Dutch leagues. European teams found warm welcomes in their "friendly" tours of the United States. The "Champions World Series," featuring Manchester United, AC Milan, Juventus, and Barcelona, drew over 420,000 for eight games. Rick Parry, a Liverpool executive, recognized the United States as "an important market. All the major clubs are going to have to come here." (8)

There have been a number of consequences of sport's new global market, where branded players and playing styles circulated instantly via satellite networks, followed closely by branded equipment and merchandise. In soccer, the lure of Europe decimated local clubs in Latin America and Africa. Winning titles made a national team more vulnerable, as *The Economist* reported in a 2002 analysis. In 2001, Argentina's under-21 team won the world championship. A year later, two thirds of the team was playing in Europe. "Their fans are fed up: every time they discover a new idol, he is off on the next plane." As the world's best players (and hence the television audience) gravitated to a few European leagues, the old "national" styles of soccer appeared to erode, with a convergence toward a single style. Jorge Valdano, who played for Argentina's 1986 World Cup champions and later served as sport-